



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION

312 Rosa L. Parks Avenue
Suite 1900 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-4517 or (866) 576-0029
FAX (615) 253-8556

Larry B. Martin
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

To: Local Education and Local Government Agencies

Date: September 3, 2015

This memo is to provide your agency with information needed to establish and fund the Health Savings Accounts (HSAs). The HSAs are provided to employees who enroll in the new *HealthSavings CDHP*, which is a **Consumer Driven Health Plan with Health Savings Account (CDHP/HSA)**.

What is a Health Savings Account (HSA)?

- A HSA is a tax-exempt trust or custodial account set up with a qualified HSA trustee to pay or reimburse qualified medical expenses members incur under the health plan.
- Each member must be enrolled in a CDHP to be eligible for a HSA.

Establishing Employee HSAs

No action is required by the Employer to establish Employee HSAs

- Benefits Administration (BA) has contracted with **PayFlex** to manage employee HSAs.
- Employees enrolling in the Local Education/Local Government CDHP will automatically have a HSA established for them.
 - After annual enrollment, PayFlex will have an enrollment file of all members who enrolled in the CDHP. Beginning January 2016, PayFlex will retrieve these files weekly from BA for new hires.
 - PayFlex will validate each employee's information and set up an account for him or her.
 - If PayFlex cannot validate an employee's information they will reach out to the employee up to three times over a 90-day period.
 - Once the HSA is set-up PayFlex can receive employee and employer contributions into the employee's account.
 - Employers can use existing Edison queries to see which employees enrolled in the CDHP.

Funding the HSA

Both employees and employers can contribute pre-tax funds to employee HSAs. If you want your employees to contribute their money to the HSA as a pre-tax deduction OR if you want to provide an employer contribution you must report these contributions to PayFlex.

Employer Considerations:

1. To offer payroll deduction for employee HSA contributions:

<input checked="" type="checkbox"/> Yes	You must:
	<ul style="list-style-type: none"> • Collect employee payroll contribution information <ul style="list-style-type: none"> ○ A template report for collecting payroll deduction information is provided below. Employers may customize the form. • Establish an ACH debit process with PayFlex • Report employee contributions to PayFlex using the file formats provided in the new client checklist below • Report employee contributions on Form W2
	You should consider:
	<ul style="list-style-type: none"> • If PayFlex cannot validate an employee's information, they will reach out to the employee over a 90-day period. The employee or employer contribution cannot be deposited until the employee HSA is established. • Tracking HSA contribution limits to ensure payroll deduction amounts plus employer contributions do not exceed the annual IRS contribution limits.
<input checked="" type="checkbox"/> No	If you do not choose to offer payroll deduction, you should know: <ul style="list-style-type: none"> • Employees who enroll in the HealthSavings Plan will only be able to contribute to their HSAs post-tax. Employees may claim these post-tax contributions on their tax return.

2. Will you, as the employer, add additional funds to employee HSAs?

<input checked="" type="checkbox"/> Yes	You must be able to:
	<ul style="list-style-type: none"> • Report employer contributions to PayFlex using the file formats provided in the new client checklist below • Establish an ACH debit process with PayFlex • Report employer contributions on Form W2
	You should consider:
	<ul style="list-style-type: none"> • Employer HSA contributions (including contributions made through a cafeteria plan) may be excluded from the employee's gross income • Amounts contributed to employees' HSAs are generally not subject to employment taxes • It is each agency's choice whether to fund, how much to fund and how often to fund the employee's HSA. Each agency should communicate this to their

	<p>employees to set expectations.</p> <ul style="list-style-type: none"> • Employer HSA contributions count toward employee IRS contribution limits • For your reference, for members of the state health plan the state: <ul style="list-style-type: none"> ○ Will only fund accounts for members enrolled on or before September 1 each year to avoid employer contributions crossing calendar years. This allows ample time to establish the HSA and return the employer funds if the account is not opened and eliminates the need for the state to issue corrected W2s. ○ Is funding \$500 for employee only coverage and \$1,000 for all family tiers. The funds will be provided in a lump sum in January. • Tracking HSA contribution limits to ensure payroll deduction amounts plus employer contributions do not exceed the annual IRS limits
<input checked="" type="checkbox"/> No	<ul style="list-style-type: none"> • Employer contributions are not required
	<ul style="list-style-type: none"> • Employees can still contribute up to the IRS annual maximum

Setting Up File Transfers with PayFlex

If you plan to provide employer funding and/or allow employee payroll contributions for the HSA, **you must complete the new client checklist below and submit it to PayFlex by September 25, 2015.**

Payroll deductions to the HSA must be captured by each Employer from their employees and reported to PayFlex via electronic file. PayFlex offers two electronic files (samples of file options attached). PayFlex will set up your file contact with access to their secure site to upload files reporting payroll contributions according to your payroll schedule.

- The File Feed Guide is a programmable file layout to report payroll deductions and employer funding if you are reporting them.
- The Macro Funding File is a simple document for smaller enrollments but is manual.
- Both file options require secure access to PayFlex's website and you will be guided on this process as well as how to fill out the files.



File Feed Guide
Spending Account (6. Template -Payroll.xls)



PayFlex Macro

With each file, the matching funds are pulled from your designated bank by PayFlex. This funding arrangement provides immediate posting of funds to employees with an open HSA, which will happen even before PayFlex initiates the debit against your bank account. This methodology is critical for HSAs given the nature of these accounts as often times there are accounts that are not able to be immediately funded. By having PayFlex pull only the appropriate funding at each cycle, this avoids potential cash balances and post-funding reconciliation for both entities. For example, an employee may not yet have passed the vetting process that is required by the USA PATRIOT Act and thus should not yet

be funded. Because PayFlex will allow pull of funds for all truly opened accounts, this process avoids the employer over-funding accounts and creating potentially complex reconciliation issues.



PayFlex_HSA_ACH
Debit_Corp Auth_Aug

Questions?

General questions about this process may be sent to Benefits.Info@tn.gov.

Questions about the New Client Checklist or the file formats should be sent to PayFlex at StateofTennessee@payflex.com.

PayFlex New Client Checklist

Send this completed form to StateofTennessee@payflex.com by

Sept 25, 2015

Employer's Legal Name:

Federal Tax ID:

Physical Address:

City:

Zip Code:

Primary Contact

Name:	Email:
Address:	
City:	
Zip Code:	
Phone:	
*Roles:	

Contact #2

Name:	Email:
Address:	
City:	
Zip Code:	
Phone:	
*Roles:	

***Roles:** PayFlex will set up access to our employer portal based on your selection of Roles for each contact. Please note the required roles for each contact.

1. Executive: Receives high level communication/general plan information.
2. Communication: Contact to receive notifications sent from PayFlex
3. PayFlex HSA: Contact for HSA related items
4. Website Administration: Can set up additional users and view participants
5. Reporting: Can view and run reports online

Add additional lines as needed for additional contacts.

Number of Employees eligible for benefits:	
Anticipated number of HSA enrollees:	
Will you offer employer contributions to the HSA?	Amount?
Will you offer payroll deductions to the HSA?	Frequency?
First Pay Date:	
File Contact, email address, and phone number:	

SAMPLE**Employee Authorization for Payroll Deduction to Health Savings Account**

Use this form to have your employer withhold money from your paychecks and deposit it into your health savings account (HSA) on a pre-tax basis. **You must be enrolled in a consumer-driven health plan (CDHP) with a HSA before you can start a payroll deduction.**

I wish to:

☐ Begin a deduction ☐ Change my deduction ☐ Stop my deduction Effective date _____

Your payroll office can confirm the effective date.

Section 1: Employee Information

Name _____
(Last, First, Middle initial)
Mailing address _____
City/State/ZIP _____

SSN or employee ID _____
Work phone number _____
Agency name _____

Section 2: Calculate Your Maximum HSA Contribution

Use the worksheet below to determine how much you can contribute to your HSA in 2016.

	Select your enrollment status	
	Individual HSA	Family HSA
A. Maximum amount that can be put in your HSA for 2016	\$3,350	\$6,750
B. Are you age 55 or older? No, write \$0. Yes, write \$1,000		
C. How much your employer will contribute in 2016		
D. A + B – C = <i>The most you can contribute in 2016</i>		

If your contributions exceed the amount in D, you risk paying IRS tax penalties. If you are submitting a midyear change, be sure to include any amounts you have already contributed in 2016.

Section 3: Calculate Your Per-Paycheck HSA Contribution

Continue the worksheet to determine how much you will contribute to your HSA per paycheck.

Individual HSA	Family HSA
Total from D. \$ _____	Total from D. \$ _____
E. Number of paychecks you will receive in 2016 _____	E. Number of paychecks you will receive in 2016 _____
F. D ÷ E = <i>This is the most you can contribute per paycheck</i> \$ _____	F. D ÷ E = <i>This is the most you can contribute per paycheck</i> \$ _____
Amount you elect to contribute to your HSA per paycheck <i>Can be any amount up to or less than F</i> \$ _____	Amount you elect to contribute to your HSA per paycheck <i>Can be any amount up to or less than F</i> \$ _____

Employee's Signature Required

By signing this form, I am requesting that payroll deductions be started or changed as shown in Section 3 above and agree to the preceding terms. I understand there are maximum limits I can contribute to my HSA per IRS rules and I may be liable for tax penalties if I exceed this amount.

This request replaces any previous payroll deduction requests for my HSA.

Employee's signature _____ Date _____

Benefits Office Use

Employee's annual contribution	Number of paychecks remaining for 2015	Employee's contribution per paycheck (amount in Section 3 must must)
\$ _____	\$ _____	\$ _____

Return this form to your personnel, payroll, or benefits office. Keep a copy for your records.